MAINE STEP-UP PROGRAM AGREEMENT

Leadership Track

Poland Spring Bottling Company, Hollis Plant

PURPOSE

The greatest human imperative of the 21st century will be using earth's resources in sustainable ways to meet human needs and protect the diversity of our ecosystems. Through its own natural cycles, the earth provides clean water and air, fertile soils, and a myriad of plants and animals, all of which are essential to sustain life. We must find ways of producing products and providing services that model nature's cyclical design and sustain its productive capacities. In addition, where we can we must restore those capacities diminished by past misuse.

Environmental regulatory programs of the last 30 years have done much to clean and protect our waters, air and land. Now, new approaches to environmental protection are needed if continuous improvements are to be realized.

The Maine Department of Environmental Protection and Poland Spring Hollis have agreed to explore new ways of protecting the environment that go beyond regulatory compliance. Poland Spring commits to continuously improve its business practices to protect people and the environment. Poland Spring will publicly report on its progress to inspire other businesses to seek improvement in their own environmental performance.

The Maine Department of Environmental Protection commits to vigorously assist Poland Spring on its "climb up the mountain"—accepting the challenge—to find environmentally sustainable ways of doing business. The Goals Toward Sustainability set forth in Section 2. B. in this agreement are for the "Pathways"

described in the "Climbing the Mountain" diagram found in the Department's A Guide for Your Business: Smart Production and the Maine STEP-UP Program.

1. INTRODUCTION

Poland Spring Bottling is a subsidiary of Nestle Waters North America (NWNA). NWNA has a number of environmental initiatives geared towards moving in the direction of "sustainable manufacturing". As an industry that relies on a renewable resource, the company clearly recognizes the importance of sustaining its primary resource, spring water.

There are two Poland Spring Bottling plants in Maine (one in Poland Spring and the other in Hollis). These plants are two of several bottled water plants that are located throughout the country and owned by NWNA. Both of the Poland Spring plants track metrics required by the STEP-UP Program. For the purpose of this agreement, only the Hollis plant metrics will be addressed. A separate STEP-UP Agreement will be created for the Poland Spring, Poland facility.

In taking steps towards sustainable manufacturing, the NWNA believes that it is beneficial to participate in programs such as the Maine STEP-UP Program as opportunities to further sustainability efforts. The Poland Spring Hollis (PSH) plant commits to the Maine Department of Environmental Protection to strive toward sustainability goals for its business. During the three-year term of the STEP-UP agreement, the DEP will assist by providing technical services and recognition for achievements made by PSH. The Department will assign a senior staff person as a contact for PSH to work with during the design and implementation of the agreement.

2. PERFORMANCE COMMITMENTS

A. Environmental Business Practices.

Compliance Status: The PSH plant is regulated by three Maine Regulatory Agencies the Department of Environmental Protection (DEP), Department of Agriculture, Food and Rural Resources and Department of Human Services (DHS).

Currently held permits include:

DEP, Water Bottling Facility Approval L-20004-26-A-N
DEP, Air Emissions Permit A-769-71-A-N (Amendment-769-71-B-M)
DHS, Drinking Water Program PWSID 94727 (Utility Water System)
Department of Agriculture 13735 Permit for Bottling Water
DEP, Site Location of Development Permit for Pilot Wetland System L-20004-26-R-C

DEP, Utility Well Report and Use Reduction L-20004-26-K-M
DEP, Production Well Development and Long-term Monitoring Plan L-20004-26-I-A

B. Goals Toward Sustainability

Environmental Management Pathway To Sustainability

Environmental management is already part of Poland Spring and NWNA's Core Business Values. The Company's Aspirations and Beliefs document states: "We believe in honesty and integrity, teamwork, and respect for people, the community and the environment." To illustrate that the environment is part of the business strategy, NWNA has created its own "Green Team". The Green Team, comprised of corporate engineers and spring water managers, focuses on environmentally sustainable projects.

The Poland Spring Plant manages the environmental aspect of the business through a NWNA based program. This program has two components. The first component is a self-diagnostic tool that all NWNA plants use called "DIAGENSET". Each year, the plant must evaluate several different environmental areas and meet benchmarks to progress to higher levels of environmental performance. The second component of the environmental management program is called "PERFENSIT" which stands for Performance Environmental of Sites. The purpose of PERFENSIT is to track progress and performance in meeting environmental goals.

The PSH plant has a Continuous Improvement Manager. This person is responsible for improving processes such as Water Yield, Chemical Use, etc. PSH plant's Site Environmental Coordinator (SEC) monitors the following inputs and outputs through PERFENSIT:

- Consumables and fuels
- Chemical Use (primarily cleaners and sanitizers)
- Water Yield (Spring Water, Utility Water, and Waste Water)
- Solid Waste (Pallets, Trash, HDPE, Corrugate and PET)

Each month, the SEC has a conference call with his counterpart at other NWNA plants to review the data. Through the Step Up program, more focus will be placed on comparing the Hollis plant results to those of other plants. The goal of this focusing effort will be to identify areas where the plant can improve its processes.

As part of the STEP-UP Program, the PSH plant will continue with the PERFENSIT and DIAGENSIT programs. Additionally, the PSH plant will participate in Green Team initiatives. Progress achieved by the use of

these tools will be included in reporting to DEP of progress made towards STEP-UP goals.

The top of the mountain for this pathway is that the Environment is part of the Core Business Values and part of strategic planning. The case could be made that the company is already on "top of the mountain" with regard to its Environmental Management System (EMS). Since the system incorporates continuing improvement, PSH's current status in this regard can be maintained by continuing with existing efforts. The PSH plant will engage the services of a third party qualified professional to review the current EMS and verify that it provides as high a degree of protection for the environment as other recognized EMS standards such as ISO 14001 standards. PSH is not required to seek certification as being ISO 14001 compliant. DEP and PSH will agree on EMS standards to which PSH's EMS will be compared. This review will be complete prior to December 2003. If the assessment identifies areas where improvements should be made, PSH will draft a plan to incorporate necessary improvements as agreed to by PSH and DEP by December 2004. Both parties will agree to a timeline for implementation.

Workers and Community Pathway To Sustainability

As mentioned, environmental initiatives at the PSH plant are undertaken by continuous improvement (CI) teams that focus on areas such as spring water use, wastewater reduction, and becoming more efficient in fuel and electrical use. Although, CI efforts have been an informal part of doing business at PSH, additional focus will be placed on documentation and reporting CI. Additionally, PSH will put more effort into increasing employee involvement in CI efforts to add momentum towards meeting the plant's environmental goals.

Employees at PSH are not fully aware of the many environmental initiatives that are underway. To improve this situation, PSH will incorporate environmental updates into the plant-wide monthly meetings. PSH is beginning to energize employees around the goal of optimizing water yield by directly involving them in efforts to decrease the volume of wastewater generated in the production/bottling process. PSH has the benefit of an efficient new plant. Reducing wastewater from 7% to 5% will be challenging because it involves making several minor improvements to a good system. Therefore, it is imperative that everyone learns more and participates.

One way this has been accomplished to date is through the Water Yield Committee. Several steps have been made to improve yields, and efforts will be on going. In deriving ideas, employee involvement will be sought. A recent result of this Committee was the implementation of an idea that one of the plant employees had to capture air conditioning condensate

and direct it to the cooling towers. This project will cost $1,800 and save over 200,000 gallons of wastewater. Improving the plant sanitation process will take place with employee involvement. PSH will continue to involve employees in other efforts reduce waste and improve the energy efficiency of its operations.

PSH works with the community by participating in the PROJECT WET program. Through this program employees participate with other environmental organizations in educating school children about water through water festivals. PSH will commit to improving participation in this program. Also, NWNA believes in environmental stewardship as a key component of protecting its source spring water. This is accomplished through direct land purchase. The company also sponsors environmental and educational efforts. The company has recently demonstrated this philosophy on a large scale by helping fund the Maine Nature Conservancy's purchase of land along the Saint John River.

Community involvement will be communicated in an outreach initiative. The Hollis Community Advisory Committee is an existing group of local representatives that was established by PSH to interface with the Hollis community. At a minimum, the Plant will provide annual updates through the Hollis Community Advisory Committee. Plans are to have the updates on local access television. A mechanism will be established for gathering public feedback from these outreach efforts.

Energy Pathway To Sustainability

The PSH facility is nearly new, having been constructed during 1999 and 2000. Accordingly, production machinery is also new and incorporates up-to-date technology that is current with respect to energy-efficiency and general design. Nevertheless, PSH and DEP agree that the setting of the PSH facility and the nature of the operations afford opportunities for innovative measures and practices that may be phased in over time to move this facility towards energy sustainability. The approach of PSH to this aspect of the STEP-UP program is to commit to modest energy use reductions as an initial measure, inventory its energy use, and plan for future measures that will incorporate more far-reaching and innovative practices relating to this pathway.

Production began at the PSH plant in June 2000. During that year, bottling was minimal so baseline data could not be established. PSH has data from 2001 that can be used to establish a baseline. This data and data from 2002 will be used to set goals for gains in efficiency of fuel and electricity use. The biggest energy requirement for the plant comes from blowmolding the various plastic containers that hold Poland Spring water. Efforts are underway to make the process more efficient by cycling

compressors, optimizing ovens, etc. The plant will focus on conserving energy through improvements to air compressors, blowmolders, and implementing other employee-initiated ideas that increase energy conservation and efficiency. **The initial goal is a 10% reduction of per production unit energy consumption.**

PSH will also seek assistance from the DEP and an energy consultant to analyze systems and assist the plant in improving its energy efficiency. The plant has previously sought advice from Talmage Solar Engineering. Although the solar options considered do not appear to be practical, there are some steps that can be taken in the area of energy optimization. This will be accomplished through a structured review of energy consumption and impacts from production, processing, and transportation activities. The review will identify opportunities for energy consumption reductions and for reducing the environmental impact of emissions associated with energy consumption as described under Air and Water Emissions, below.

Solid Waste Pathway To Sustainability

The PSH SEC tracks solid waste by type by tons produced each month. Most of PSH's waste stream is recovered. However, a CI team will establish a goal for waste reduction. One area that has been identified as a potential win is recycling low-density polyethylene. Sources of LDPE include the green plastic straps that hold corrugate, cap bags, shrink-wrap and stretch wrap. PSH will consider purchasing a bailer. Preliminary estimates are that the plant could receive $100 to $120 per ton where it currently pays $80 per ton to dispose of solid waste.

The SEC will work with the PSH Process Improvement Manager to establish a CI team to identify areas where solid waste can be reduced.

The Company has also hired a national consultant on recycling to evaluate plant-recycling programs with the mandate to improve and standardize them.

The goal of PSH with respect to solid waste reduction is 10% per unit produced over the three-year term of this agreement.

Air and Water Emissions Pathway To Sustainability

Currently, all wastewater generated at the PSH facility is removed from the site in tanker trucks and transported to the Old Orchard Beach sewage treatment plant. Thus, any wastewater reductions translate into transportation emissions reductions as well.

As mentioned above, the company would like to reduce offsite water discharges. A corporate goal being pursued at PSH by the Green Team is to eliminate off-site discharges of sanitary (black and gray water) and process wastewater. The PSH plant helped to pilot this concept by serving as a pilot site to assess the viability of a created wetland to treat process wastewater. Although PSH is not currently ready to do this for its own wastewater, the data generated was used to support efforts to build a process water wetland for the Cabazon plant in California. PSH plans for the pilot wetland are to convert it from a pilot process water treatment system to a sanitary waste treatment system and eliminate tankering of black/graywater waste. Substantial per production unit reductions in wastewater disposed off-site is anticipated. The longer-term approach of PSH to wastewater, consistent with company goals to reduce overall wastewater discharges, will be developed during the first year of this agreement and reported to DEP in the first annual report.

Permitted air emissions at the PSH facility are limited to combustion products of #2 fuel oil used in boilers and the fire pump at the facility. However, PSH recognizes that its environmental footprint encompasses the emissions associated with the consumption of electricity produced off-site, emissions associated with transportation of inputs to the facility, and transportation of product and wastes off site by PSH and contract carriers.

The quantity and nature of these emissions relates to the energy source of electricity (e.g., coal vs. natural gas), the quantity and nature of fuel used in motor vehicles (conventional diesel vs. Ultra-Low Sulfur Diesel or Biodiesel) and efficiency parameters of the transportation process.

Over the course of this agreement, PSH will work with DEP to track emissions produced from electricity generation and transportation including particulates, NOx, SOx, CO_2, Hg, etc. As indicated in the Energy Pathway section above, this data will be used by PSH and DEP to identify areas where reductions in both energy use and emissions can be made.

PSH commits to a 10% reduction in discharges of wastewater and/or air emissions associated with its transportation off-site over the three-year period of this agreement. As will be further defined in the inventory to be developed with DEP, **PSH also anticipates achieving and demonstrating an average 10% reduction in the rates of emissions of air discharge parameters (NOx, SOx, CO_2, Hg) by the end of the term of this agreement, resulting from the energy-use reductions cited in the Energy Pathway section above.**

C. Measurement Methods

Reporting Progress – PSH will use bar graphs to depict percent reductions quarterly (for each current year) and annual (for each complete year) progress toward minimizing wastewater, solid waste and energy use. Metrics will be based on water yields and raw material use per 1,000 bottles produced, adjusted for bottle size where appropriate.

D. Public Involvement

At a minimum, the Plant will set up annual updates through the Hollis Community advisory committee. PSH will continue to sponsor and participate in Project WET. In addition, it will continue in its policy of supporting environmental and educational projects, and will communicate its accomplishments to the community.

E. Mentoring

PSH will make itself available to all parties interested in the STEP-UP Program. The identification of a company to mentor that can benefit from PSH's progress without compromising its competitive position will be a goal of the first year PSH's participation in STEP-UP.

F. Relationship

During the period of the STEP-UP agreement Poland Spring, Hollis will work with DEP to update the Department on its progress. PSH will look to the DEP for assistance in gauging its progress through the identification of innovative metrics such as reduced carbon and other emissions, normalized to production units, that will be fully illustrative of the environmental benefits of these improvements.

PSH will work with the Maine DEP to achieve its sustainability goals by identifying specific regulatory issues that impede achieving goals and work to find mutually agreeable solutions to these issues.

PSH requests that its DEP STEP-UP Program contact attends quarterly STEP-UP program meetings, at which progress toward sustainability goals will be discussed and adjustments made to performance goals as necessary.

PSH and DEP will work cooperatively to achieve the goals included in previous sections.

Technical and Regulatory Assistance

Maine DEP will make staff available to PSH for technical and regulatory assistance. This assistance will be provided consistent with existing State law and agency policy.

Maine DEP expects to forego civil penalties for certain types of first-time violations discovered in the process of providing assistance or disclosed as a result of compliance audits performed by PSH when PSH corrects the non-compliant condition within the shortest practicable time period, and in all cases within 90-days of discovery. Violations excluded from this provision are those listed in Maine DEP's Small Business Compliance Incentives Policy, Section III (as amended February 14, 1996) and its Supplemental Environmental Projects Policy, Section V (as amended June 15, 2000). Regular or necessary compliance inspections performed as part of day-to-day business at Maine DEP are not subject to these provisions.

G. Recognition

Maine DEP will recognize PSH'S participation in the STEP-UP Program with its inclusion of specific information on the *Smart Production and STEP-UP Web Pages* maintained by the State, and press releases from time-to-time to keep the general public informed of PSH's status in the program. PSH will also receive a Governor's Award for Environmental Excellence without the need for application when any *Sustainability Goal* detailed in this agreement is achieved.

3. REPORTING.

PSH will submit quarterly progress reports to the Maine DEP citing accomplishments toward achieving sustainability goals. The reports will utilize the reporting format described in Section 2C above.

For its part, Maine DEP will maintain open communications with PSH concerning its progress in attaining STEP-UP goals, in addition to attending the quarterly meetings included in Section 2F.

4. TERMINATION

Either party to this Agreement may terminate the participation of PSH in the STEP-UP Program with 30-days notice to the other party.

WITNESS here today, December 5, 2002, that the undersigned parties enter into this agreement.

Angus S. King, Jr., Governor State of Maine

Gareth Bowen, Plant Manager, Poland Spring Hollis Plant